A

TAIPING POLY (M) SDN BHD

v.

WONG FOOK TOH & ORS

B

FEDERAL COURT, PUTRAJAYA
RICHARD MALANJUM CJ (SABAH & SARAWAK)
HASHIM YUSOFF FCJ
MOHD GHAZALI YUSOFF FCJ
[CIVIL APPEAL NO: 02-44-2009(J)]

C

9 FEBRUARY 2011

DAMAGES: *Assessment - Damages - Loss due to infringement and passing off of trademark by respondent - Correct principle of law to be applied - Damages to be awarded - Whether for loss of business profit*

D

TRADEMARKS: *Infringement - Infringement of registered trademark and passing off - Loss of goodwill - Damages - Claim for - Whether sum of RM50,000 given should be maintained*

The appellant was a registered owner of a trademark "HAITOP".
E The respondent was a partnership dealing with the buying and selling of bags of various types. The appellant had commenced an action against the respondent for infringement of its registered trademark and/or passing off. After a full trial the High Court found the respondent liable, granted the injunctions as prayed for
F and ordered an enquiry for the assessment of damages. The High Court on appeal reduced the awards made by the Senior Assistant Registar (SAR) and the Court of Appeal affirmed the decision of the High Court. Leave to appeal to this court was granted to the appellant. The issues that arose herein were (a) whether the
G correct principle of law to be applied when assessing damages in a trademark infringement and passing off case was to assess the "loss of sales" of the successful plaintiff and not by way of using the accounting formula of "net profit after deducting tax and charging overheads" or the accounting concept for "loss of net
H profits"; (b) on the loss of goodwill and reputation, the appellant submitted that the damages given should be a fair and temperate sum while the respondent cross appealed and argued that since the appellant did not seriously pursue on the claim the sum should be only nominal.

I

Held (allowing the appellant's appeal)
Per Richard Malanjum CJ (Sabah & Sarawak) delivering the judgment of the court:

(1) Damages for the infringement of intellectual property rights are tortious in nature. Their objective is to restore the claimant to the position he would have been in had the defendant not infringed. Thus, where the claimant is in the business of manufacturing goods, so that they are in competition with the defendant, then the measure of damages will be lost profits. (para 19)

(2) The respondent did not challenge the loss of sales of the appellant, nevertheless, those sums should not be taken as synonymous to loss of business profits. The SAR had merely totalled up the loss of sales as presented by the appellant and taking it as damages due to the appellant. The approach would effectively result in the appellant being overcompensated since items such as overheads and other contingencies would have been included in the computation. The loss of sales could not be described as the damages that naturally flow from the unlawful act of the respondent. (paras 26 & 28)

(3) The High Court and subsequently affirmed by the Court of Appeal on the other hand based the damages payable on nett profit calculated after taking into account the submitted audited accounts of the appellant. Such computation however had failed to consider that the nett profit of the appellant involved the consideration of other factors such as their sales of other products other than the infringed bags. (para 29)

(4) In this case, in assessing damages, it was neither to assess loss of sales or nett profit but on loss of business profit. The appellant's appeal herein was allowed to the extent that due to the act of infringement by the respondent of the trade mark belonging to the appellant, damages were awarded for loss of business profit in the sum of RM32,726.70. The other orders made by the High Court and the Court of Appeal were also maintained. (paras 42-44)

A **(5)** There was no reason to interfere with the exercise of discretion as to the amount of damages given for loss of goodwill. Since the appellant did not propose a higher sum it was a factor to take into account in exercising the discretion. Thus, the sum of RM50,000 as given for loss of goodwill
B should therefore be maintained. Thus, the respondent's submission that the omission by the appellant to seek for a higher sum for loss of goodwill should entail only a nominal sum. There was no basis for such submission as damages for loss of goodwill is presumed. The cross appeal of the
C respondent was thus dismissed. (para 40-41)

[Order accordingly.]

Bahasa Malaysia *Translation Of Headnotes*

D Perayu adalah pemilik berdaftar cap dagang "HAITOP". Responden menjalankan perkongsian yang berurusan dengan pembelian dan penjualan beg-beg beberapa jenis. Perayu telah memulakan tindakan terhadap responden untuk pelanggaran/ kelirupaan cap dagangan berdaftar perayu. Selepas perbicaraan
E penuh Mahkamah Tinggi telah mendapati responden bertanggungjawab, membenarkan injunksi seperti yang dituntut dan memerintah siasatan dijalankan berkaitan taksiran gantirugi. Mahkamah Tinggi atas rayuan telah mengurangkan award yang diberi oleh Penolon Kanan Pendaftar (PKD) dan Mahkamah
F Rayuan telah mengesahkan keputusan Mahkamah Tinggi. Kebenaran untuk merayu kepada mahkamah ini diberi kepada perayu. Isu-isu yang timbul di sini adalah (a) sama ada prinsip undang-undang yang betul yang sepatutnya digunapakai semasa mentaksirkan gantirugi di dalam pelanggaran cap dagang dan kes
G kelirupaan adalah untuk mentaksirkan "kehilangan jualan" plaintif yang berjaya dan bukan dengan menggunakan formula perakaunan "keuntungan bersih selepas menolak cukai dan mengenakan bayaran overhed" atau konsep perakaunan bagi "kehilangan keuntungan bersih"; (b) atas kehilangan nama baik dan reputasi,
H perayu berhujah bahawa gantirugi yang diberi seharusnya jumlah yang adil dan sederhana tetapi responden pula membuat rayuan balas dan berhujah oleh kerana perayu tidak mempertikaikan secara serius mengenai tuntutan jumlah yang diberi seharusnya hanya nominal.

I

Diputuskan (membenarkan rayuan perayu)
Oleh Richard Malanjum HB (Sabah & Sarawak) menyampaikan penghakiman mahkamah:

(1) Gantirugi bagi pelanggaran hak harta intelektual adalah bersifat tort. Objektifnya adalah untuk memulihkan pihak menuntut kepada kedudukan yang sepatutnya beliau berada jika defendan tidak melanggar. Oleh itu, di mana pihak menuntut berada di dalam perniagaan barangan perkilangan, supaya mereka bertanding dengan defendan, ukuran gantirugi adalah kehilangan keuntungan bersih.

(2) Responden tidak mencabar kehilangan jualan perayu, bagaimanapun, jumlah itu tidak patut diambil sebagai sinonim kepada kehilangan keuntungan perniagaan. PKD hanya mengira jumlah kehilangan jualan seperti yang telah diberi oleh perayu dan mengambilnya sebagai gantirugi yang perlu dibayar kepada perayu. Pendekatan itu akan dengan berkesan menyebabkan perayu diberi ganti rugi yang lebih daripada yang sepatutnya kerana perkara-perkara seperti overhed dan kontingensi-kontingensi lain dimasukkan di dalam pengiraan. Kehilangan jualan tidak boleh digambarkan sebagai kerugian yang sudah tentu mengalir dari perbuatan responden yang menyalahi undang-undang.

(3) Mahkamah Tinggi dan kemudiannya disahkan oleh Mahkamah Rayuan sebaliknya berasaskan gantirugi yang perlu dibayar atas keuntungan bersih yang dikira selepas mengambilkira akaun-akaun yang telah diaudit perayu yang diserahkan. Pengiraan sedemikian bagaimanapun gagal untuk mempertimbangkan bahawa keuntungan bersih perayu menceburi pertimbangan faktor lain seperti jualan produk mereka yang lain selain daripada beg-beg yang telah dilanggari.

(4) Di dalam kes ini, dalam mentaksir kerugian-kerugian, ia bukan untuk menilai kehilangan jualan atau keuntungan bersih tetapi atas kehilangan keuntungan perniagaan. Rayuan perayu di sini dibenarkan setakat disebabkan tindakan pelanggaran cap dagang milikan perayu oleh responden, gantirugi-gantirugi diawardkan untuk kehilangan keuntungan perniagaan dalam jumlah RM32,726.70. Perintah-perintah lain yang dibuat oleh Mahkamah Tinggi dan Mahkamah Rayuan juga dikekalkan.

(5) Tiada alasan untuk campurtangan dengan pelaksanaan budibicara mengenai jumlah gantirugi yang diberi untuk kehilangan nama baik. Oleh kerana perayu tidak mencadangkan jumlah yang lebih tinggi ia adalah faktor untuk dipertimbangkan dalam pelaksanaan budibicara. Oleh itu, jumlah RM50,000 yang diberi sebagai kehilangan nama baik harus dikekalkan. Oleh itu, hujahan responden bahawa peninggalan oleh perayu untuk mendapatkan jumlah yang lebih tinggi bagi kehilangan nama baik sepatutnya hanya melibatkan satu jumlah nominal. Tidak terdapat asas bagi hujahan sedemikian kerana gantirugi bagi kehilangan nama baik diandaikan. Rayuan balas responden oleh itu ditolak.

[Perintah seharusnya.]

Case(s) referred to:

AG Spalding & Bros v. AW Gamage Ltd [1915] 32 RPC 273 ***(refd)***
Brown v. Jam Factory Pty Limited [1981] 35 ALR 79 ***(refd)***
Dormeuil Freres SA v. Feraglow [1900] RPC 449 ***(refd)***
Esso Petroleum Co Ltd v. Mardon [l976] 1 QB 801 ***(refd)***
General Tire v. Firestone [1976] RPC 197 ***(refd)***
Guangdong Foodstuffs Import & Export (Group) Corporation) HCA011061A/1995 ***(refd)***
Juggi Lal-Kamlapat & Juggilal-Kamplapat Mills of Cawnpore v. Swadeshi Company Ltd [1929] 46 RPC 74 ***(refd)***
Leather Cloth v. Hirschfeld [1865] LR 1 Eq 299 ***(refd)***
Living Stone v. Rawyards Coal Co [1880] 5 App Cas 25 ***(refd)***
Pneumatic Tyre Company Ltd v. Puncture Proof Pneumatic Tyre Company Ltd (16 RPC 209) ***(refd)***
Re Prince Manufacturing Inc and Tennisport Pty Limited v. Abac Corporation Australia Pty Limited and the Liquidator Management Australia Pty Limited Trading as the Liquidator [1984] FCA 356 ***(refd)***
Seet Chuan Seng & Anor v. Tee Yih Jia Foods Manufacturing Pte Ltd [1994] 3 CLJ 7; [1994] 3 BLJ 292 SC ***(refd)***
United Horseshoe and Nail Company v. Steward (LR 13 PD 191) ***(refd)***
Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd [2007] 6 CLJ 228 CA ***(refd)***

Other source(s) referred to:

McGregor on Damages, 16th edn, paras 1947-1948, pp 1261-1262

For the appellant - Kenneth St James (SY Wong with him); M/s Michael Chai & Co
For the respondent - Dr Wong Kim Fatt (Tan Vincent with him); M/s Henry Soong & Chang

[Appeal from Court of Appeal; Civil Appeal No: J-03-142-2004]

Reported by Suhainah Wahiduddin

JUDGMENT

Richard Malanjum CJ (Sabah & Sarawak):

Introduction

[1] On 23 November 2000 the appellant obtained judgment on liability against the respondent in an action for passing off and with damages to be assessed. There was no appeal against the finding of liability. This appeal is therefore only on the assessment of damages, in particular the principle applicable when assessing damages in passing off action.

[2] On 18 March 2004 the learned Senior Assistant Registrar (SAR) after hearing the assessment of damages made the following awards:

(a) RM1,139,655.14 for the year 1995;

(b) RM1,014,771.65 for the year 1996;

(c) RM37,400 for expenses during the hearing;

(d) Interest on RM2,154,426.79 at 8% p.a. from 3 May 1996 to the date of full realization; and

(e) costs.

[3] The High Court on appeal reduced the awards as follows:

(a) Damages in the sum of RM14,759 for loss of net profits in respect of infringement for the years 1995 and 1996;

(b) Damages in the sum of RM50,000 for loss of goodwill.

[4] The Court of Appeal affirmed the decision of the High Court in its judgment on 7 April 2010.

[5] Leave to appeal to this court was granted to the appellant on 7 December 2009 with the question posed thus:

(a) whether the correct principle of law to be applied when assessing damages in a trademark infringement and passing off case is to assess the "loss of sales" of the successful Plaintiff and not by way of using the accounting formula of "nett profit after deducting tax and charging overheads" or the accounting concept of "loss of nett profits".

A **Background Facts**

[6] The appellant is the registered owner of a trademark "HAITOP". which it registered on 27 August 1992 under the Trade Mark Registration No. 92/06073 in class 18 in respect of, among others, travel and hand luggage and school bags, purse, harvest set, brief case and roller bags.

[7] The respondent is a partnership dealing with the buying and selling of bags of various types.

[8] The appellant commenced an action on 3 May 1996 against the respondent for infringement of its registered trademark "HAITOP" and/or passing off alleging that from a date unknown to it and without its consent the respondent had sold and/or offered to sell bags of various types under a trademark "HIGERTOP" which the appellant said to be deceptively or confusingly similar to its trademark.

[9] The reliefs prayed for were for prohibitory and mandatory injunctions and for an enquiry as to damages or at the appellant's option, for an account of profits and for payment of all sums found due upon taking such enquiry or account and interest thereon.

[10] After a full trial the High Court found the respondent liable, granted the injunctions as prayed for and ordered an enquiry for the assessment of damages.

Assessment Of Damages By The High Court And The Court Of Appeal

[11] In reducing the awards for the infringement and passing off given by the learned SAR the learned High Court judge stated his reasons as follows:

(a) that sum of money which will put the party who has been injured, or who has suffered in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation' Per Lord Blackburn in *Livingstone v. Rawyards Coal Co* [1880] 4 App Cas 25 at 39;.

(b) In awarding damages the plaintiff should not be allowed to profit by it;

(c) the loss suffered by the plaintiff should be the net loss of profits only for the Haitop bags that it produces;

(d) The plaintiff should in addition be awarded loss of goodwill;

(e) The plaintiff should in addition be awarded loss of goodwill. I accept the submission of the counsel of the plaintiff that damages are presumed and need not be proof for goodwill; the greater the reputation of the brand, the more vulnerable is the damages of the goodwill; the length of time of infringement; fair and temperate sums should be awarded.

(f) Taking into consideration that the loss and damages suffered by the plaintiff were of a period of three years that plaintiff was the substantial manufacturer of bags in Malaysia that it had to spend additional sums of money to rehabilitate the infringement of its "Haitop" brand, a sum of RM50,000 should be awarded on this head.

[12] In upholding the decision of the learned High Court judge the Court of Appeal said this, *inter alia*:

> Loss of sales merely constitute (sic) evidence used as a means or tool ascertain (sic) the damages actually sustained by the injured party. It cannot be equated with the damages actually sustained by the injured party. It is unsafe to rely wholly and exclusively on the loss of sales and then conclude that that is the damages sustained by the injured party, particularly where there is other evidence, such as accrued profits, as in this instant appeal, to show that the loss of sales is not the damages which the injured party had actually sustained. On the evidence before us, we agree with the way the learned judge ascertained the damages due to the appellant. In *Wembley Gypsum Products Sdn Bhd v. MST Industrial Systems Sdn Bhd* [2007] 6 CLJ 228 this Court agreed with the learned judge's decision in assessing the damages due to the plaintiff based on a profit of at least 30% - 35% out of the loss in the sales of its product. In that case the plaintiff sued the defendant for infringement of its registered trademarks and passing off of another mark at common law.

A **Contentions Of The Parties Before This Court**

[13] Before us learned counsel for the appellant submitted, in summary, that the principle of loss of sales should be applied when assessing damages in cases for passing off and infringement of
B trade mark. He contended that the concept of nett profit was one which was coined by the respondent in this case.

[14] In response learned counsel for the respondent argued that the burden was on the appellant to prove the damage suffered and should be limited to loss of profits after taking into account
C the costs of production and other factors.

Assessment Of Damages - Relevant Applicable Principles Of Law

D **[15]** The current potential civil remedy against an infringer of an intellectual property right is either an assessment of the profit made by the infringer or an award of damages representing the lost profit suffered by the originator. And in an action for infringement of a trade mark and passing off it is trite law that the same
E principle applies when considering the award of damages. (See: *Dormeuil Freres SA v. Feraglow* [1900] RPC 449). The usual principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation. (See: *Guangdong*
F *Foodstuffs Import & Export (Group) Corporation) HCA011061A/1995; Re Prince Manufacturing Inc and Tennisport Pty Limited v. Abac Corporation Australia Pty Limited and the Liquidator Management Australia Pty Limited Trading as the Liquidator* [1984] FCA 356).

G **[16]** In *McGregor on Damages*, 16th edn, at paras. 1947-1948, at pp. 1261-1262, it is said thus:

> Little attention has been given to the assessment of damages despite the many cases of passing off in the reports. *Spalding v. Gamage* and *Draper v. Trist* are the only cases of importance. The
H principal head of damage is the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation; beyond this, damages may be awarded for any loss of business goodwill and reputation resulting from the passing off. Damages under both these heads were held to be properly awarded in *Spalding v. Gamage* [1918]
I 35 RPC 101, CA a result which has never since been doubted.

Draper v. Trist [1939] 3 All ER 513, CA dealt with a more complex situation where the defendant had passed off goods by selling them to middlemen, and there was no evidence that the middlemen resold. In these circumstances it was held that the plaintiff's loss of profits could not be a relevant consideration in assessing the loss but that the plaintiff was entitled to damages by reason of the presence of the deceptive goods on the market, damages which included a sum for loss of reputation. Also, the plaintiff should be able to recover for further loss of profits through reduction of his prices, provided that the reduction is necessary to compete with the goods passed off by the defendant.

[17] The onus is upon the plaintiff to prove the loss actually sustained by reason of the defendant's conduct. The plaintiff is entitled to 'such damages as naturally flow from their unlawful act, and that there is no artificial limitation in the case of a passing off action' (See: *AG Spalding & Bros v. AW Gamage Ltd* [1915] 32 RPC 273 per Lord Parker of Waddington). It cannot also be presumed that the amount of goods sold by the defendant under an infringing trade mark would have been sold by the plaintiff if not for the defendant's unlawful use of the trade mark. (See: *Leather Cloth v. Hirschfeld* [1865] LR 1 Eq 299). Speculative and unproven damage are also excluded. (See: *United Horseshoe and Nail Company v. Steward* (LR 13 PD 191); *Pneumatic Tyre Company Ltd v. Puncture Proof Pneumatic Tyre Company Ltd* (16 RPC 209).

[18] Consistent with the established principle of law in award of damages, it is compensatory, that is, to put the plaintiff in the same position he would have been had the wrong not been committed. (See: *Living Stone v. Rawyards Coal Co* [1880] 5 App Cas 25). Put in another way it is "... to approach the assessment of damages in this case, in my view, is to compare the position in which the applicants might have been expected to be if the misleading conduct had not occurred with the situation they were in as a result of acting in reliance on that conduct (see *Esso Petroleum Co Ltd v. Mardon* [l976] 1 QB 801; [1976] 2 All ER 5). This is the same (as), or analogous to, the general principle respecting the measure of damages in tort". (See: *Brown v. Jam Factory Pty Limited* [1981] 35 ALR 79).

[19] Damages for the infringement of intellectual property rights are tortious in nature. Their objective is to restore the claimant to the position he would have been in had the defendant not

infringed. Thus, where the claimant is in the business of manufacturing goods, so that they are in competition with the defendant, then the measure of damages will be lost profits. However, it should be noted that damages is to be assessed liberally. (See: *General Tire v. Firestone* [1976] RPC 197). And while it is quite easy to state the general principle the mechanics of ascertaining damages actually sustained by the plaintiff are not simple to determine. There is no hard and fast rule to follow which is foolproof and universally accepted. (See: *AG Spalding & Bros v. AW Gamage Ltd (supra)*; *Juggi Lal-Kamlapat & Juggilal-Kamplapat Mills of Cawnpore v. Swadeshi Company Ltd* [1929] 46 RPC 74; *Re Prince Manufacturing Inc and Tennisport Pty Limited v. Abac Corporation Australia Pty Limited and the Liquidator Management Australia Pty Limited Trading as the Liquidator (supra)*). It depends on the facts of each case. It is basically facts driven. However, in assessing damages it is also necessary to exclude those customers of the defendant who were not misled in making their purchases. Otherwise the claimant would be overcompensated. Damages may also be awarded for loss of business reputation and goodwill resulting from the infringement and passing off.

[20] Nearer home the Court of Appeal in *Wembley Gypsum Products Sdn Bhd v. Mst Industrial Systems Sdn Bhd* [2007] 6 CLJ 228 said this at pp. 243-244:

> In our judgment, it is useful to set out the general object of awarding damages, contained in *Clerk & Lindsell on Torts* (16th Ed), at p 254 para 5.04:
>
> > The general object of an award of damages is to compensate the plaintiff for the losses, pecuniary and non-pecuniary, sustained as a result of the defendant's tort. More specifically, the assessment process is said to aim at restitutio in integrum. The general principle is, in the off-quoted words of Lord Blackburn, that the court should award 'that sum of money which will put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation.' The principle admits of application to losses which are capable of reasonable precise calculation in money terms.

(see also *UDA Holdings Sdn Bhd v. Koperasi Pasaraya Malaysia Bhd* [2007] 6 MLJ 530 (CA)).

The question is whether the sum has been correctly awarded by the trial court and is consistent with the above general object and principle.

The trial court had assessed damages in the sum of RM4,831,450 by taking into account the plaintiff's total sales and the defendant's profit margin (ie, RM14,866,000 x 32.5% = RM4,831,450)

In our view, the trial court had rightly evaluated the evidence of the defendant's own witness (DW1), showing that the total sales of the defendant's GCB products using the trade marks amounted to RM14,866,000.

It was the trial court's finding that the defendant had failed to dispute the fact that the plaintiff would have made a profit of at least 30% - 35% out of the loss in the sales of the GCB products using the trade marks. The trial court adopted an average of 32.5% in assessing damages.

We are also of the view that the trial court had occasioned no error in the assessment and award of the sum of RM4,831,450 as damages to the plaintiff. There was also found no error in the award of interest at the rate of 8% per annum from 31 January 1991 (the date of first wrongful use of the trade marks) to the date of realization.

[21] It is obvious in the above case that the Court of Appeal went on the basis of profit margin of the defendant in computing the amount of damages that should be awarded to the plaintiff. The court did not rely on 'loss of sales' principle.

[22] Incidentally, we note that in coming to its decision the Court of Appeal did not refer to the judgment of the then Supreme Court in *Seet Chuan Seng & Anor v. Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 3 CLJ 7; [1994] 3 BLJ 292. We think rightly so. In that case the then Supreme Court was not considering a question on assessment of damages but merely determining whether the elements of passing off were satisfied and in reference to the plaintiff's goodwill. Thus, the phrase 'loss of sales' used in the dicta of the judgment of the majority should not be given too much emphasis. It should not be considered as

being the *ratio decidendi* of that case and thus the basis to rely on when assessing damages in a trade mark infringement and passing off. The phrase was only used in relation to 'likelihood of damage to the plaintiff's goodwill through loss of sales and loss of the exclusive use of his name'.

[23] Hence, with respect we are not inclined to say that in an action for infringement of a trade mark and passing off the basis when assessing damages is on the actual loss of sales as advocated by the appellant and which in this case totalled to RM2,154,426.79. The High Court was therefore right in setting aside the awards based on loss of sales given by the learned Senior Assistant Registrar.

[24] Having said the foregoing, we hasten to state that we are not saying that the approach of taking the overall nett profit of the appellant is the applicable principle as submitted by the respondent. To do so would be contrary to the acceptable principles applied in the common law jurisdictions premised on 'the loss of business profits caused by the diversion of the plaintiff's customers to the defendant as a result of the defendant's misrepresentation'.

[25] Accordingly, for the above reason it is only appropriate that we should now review whether the quantum of damages awarded by the High Court and affirmed by the Court of Appeal in this instant appeal was correctly made in accordance with the relevant principles of law applicable.

[26] The starting point is to note that the respondent did not challenge the loss of sales of the appellant for the year 1995 at RM1,139,655.14 and for the year 1996 at RM1,014,771.65. The respondent assumed the figures were accurate. Nevertheless, those sums should not be taken as synonymous to loss of business profits.

[27] In awarding damages the learned SAR and the High Court seem to have taken the opposite ends of the scale.

[28] On one hand the learned SAR merely totalled up the loss of sales as presented by the appellant and taking it as the damages due to the appellant. The approach would effectively result in the appellant being overcompensated since items such as overheads

and other contingencies would have been included in the computation. Meanwhile, we do not think that the loss of sales can be described as the damages that naturally flow from the unlawful act of the respondent.

[29] The High Court and subsequently affirmed by the Court of Appeal on the other hand based the damages payable on nett profit calculated after taking into account the submitted audited accounts of the appellant. Such computation however has failed to consider that the nett profit of the appellant involved the consideration of other factors such as their sales of other products other than the infringed bags. Further, the issue of tax payable in computing damages in torts action should not arise.

[30] What then is the loss of business profits of the appellant in this instant appeal? On perusal of the Appeal Record we find the materials adduced are quite scanty thus hampering a comprehensive calculation of damages awardable. Neither the appellant nor the defendant disclosed their profit margins per bag. The appellant only presented its audited accounts and its loss of sales. The respondent through DW1 (Wong Fook Toh) (at p. 250 AR) agreed that it sold the offending bags at RM32 per unit while the appellant was selling its bags at RM40 per unit. But we do not think the RM8 difference should be assumed as the profit the appellant would have made if not for the infringement by the respondent. The differences in the qualities of the bags, the economic environment at the material times and the costs of production have to be considered.

[31] Learned counsel for the appellant in his further submission before the learned High Court judge suggested two methods in assessing what he described as loss of sales yet both methods were tied up to Average Gross Profit. The first was before tax and charging overhead while the second method (at pp. 326-328 of the Appeal Record) involved computation before tax only. In our view on the facts and circumstances of this case the fair approach would be to adopt the second method.

[32] In his computation learned counsel relied on the appellant's bundle of documents A at pp. 3 and 9 for 1995, documents A at pp. 3 and 10 for 1996 and documents A at pp. 3 and 11 for 1997.

[33] Thus, for the year 1995 the figures given are:

Turnover	RM9,179,686
Profit before taxation	RM34,737
Profit margin	RM34,737/RM9,179,686 = 0.37%
Loss of Sales (not disputed)	RM1,139,655.14

Thus, loss of business profit would be:

0.37% x RM1,139,655.14 = RM4,312,59

[34] For the year 1996 the figures given are:

Turnover	RM13,123,390
Profit before taxation	RM228,217
Profit margin	RM228,217/RM13,123,390 = 1.73%

Loss of Sales (not disputed) RM1,014,771.65

Thus, loss of business profit would be:

1.73% x RM1,014,771.65 = RM17,646.98

[35] For the year 1997 the figures given are:

Turnover	RM16,255,160
Profit before taxation	RM234,068
Profit margin	RM234,068/RM16,255,160 = 1.44%

Loss of sales on the infringed brand was not specifically admitted by the respondent for 1997. But the actual sales of the infringed brand for 1997 totalled RM1,788,067.60. The appellant contended that the infringed brand would have been 12% of the sales of all brands which was RM21,131,708 thus giving the figure of RM747,737.36 (RM2,535,804 less RM1,788,067.60).

Thus, loss of business profit would be:

1.44% x RM747,737.36 = RM10,767.13

[36] Thus, the sum of RM32,726.70 (RM4,312,59 + RM17,646.98 + RM10,767.13) is in our view a reasonable assessment on the loss of business profits of the appellant in consequence of the respondent infringing its brand for the three years.

[37] Now, on the loss of goodwill and reputation it is trite law that it is presumed and that the sum to be awarded is a matter of discretion.

[38] Before us learned counsel for the appellant submitted that the damages to be given should be a fair and temperate sum and the sum given at RM50,000 was on low side.

[39] The respondent cross-appealed on the award given for loss of goodwill and suggested that since the appellant did not seriously pursue on the claim the sum should be only nominal at RM10 since the appellant had benefitted upon the grant of the injunction against the respondent.

[40] We have considered the reason given by the courts below. We find no reason to interfere with the exercise of discretion as to the amount of damages given for loss of goodwill. We agree with the Court of Appeal that since the appellant did not propose a higher sum it is a factor to take into account in exercising the discretion. Thus, the sum of RM50,000 as given for loss of goodwill should therefore be maintained.

[41] We disagree with the respondent that the omission by the appellant to seek for higher sum for loss of goodwill should entail only a nominal sum. There is no basis for such submission since as stated above damages for loss of goodwill is presumed. The cross appeal of the respondent is thus dismissed.

[42] Our answer to the question posed is that it is neither loss of sales or nett profit but on loss of business profit.

[43] As regards the appeal by the appellant we allow it to the extent that due to the act of infringement by the respondent of the trade mark belonging to the appellant we award damages for loss of business profit in the sum of RM32,726.70.

[44] The award of RM50,000 for loss of goodwill is maintained.

[45] The other orders made by the High Court and the Court of Appeal are also maintained.

[46] We will hear the parties as to the quantum on the costs of this appeal.

Postscript

[47] After hearing the parties on the issue of costs we held that the fair order to make is that each party has to pay its own costs. This is because of the answer we have arrived at for the question posed. The deposit is to be refunded to the appellant.